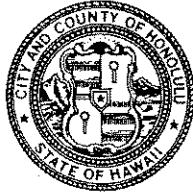


OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813
PHONE: (808) 523-4141 • FAX: (808) 527-5552

MUFI HANNEMANN
MAYOR



March 15, 2006

The Honorable Ann Kobayashi, Chair
and Members of the Budget Committee
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

RECEIVED

MAR 16 4 20 PM '06

CITY CLERK
HONOLULU, HAWAII

Dear Chair Kobayashi and Members:

Now that Bill 12 is law, should the Council be determined to lower property tax rates in lieu of setting \$20 million for the Fiscal Stability Reserve Fund, I strongly recommend you limit relief to improved residential, apartment owners and farmers. I suggest reducing the rates from \$3.75 per \$1,000 of assessed valuation to \$3.59 for the improved residential and apartment classes and lower the rate for agricultural land from \$8.57 to \$7.57 because of the damage and losses caused by the recent rains. These lower rates would generate approximately \$20 million less in property tax revenues for FY 2006-2007.

I would be remiss if I did not remind you that in the years to come, the City faces huge increases in what Bill 12 calls 'uncontrollable' costs which may not afford us the luxury of putting aside monies for emergencies, such as a natural disaster, an economic downturn or a pandemic. Therefore, please consider establishing the Fiscal Stability Reserve Fund and join me in looking for opportunities to incrementally add monies to this account in the future.

Yours truly,

A handwritten signature in black ink, appearing to read "Mufi Han", with a long horizontal flourish extending to the right.

Mufi Hannemann
Mayor

Mayor's Message No. 046